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25 June 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SOVIET UNION

- 25X1A 1. Soviet military activity on Iranian border reported:
[redacted] the Commander of the Iranian Third Division reports signs of Soviet fortifications along the border from Moghan to Julfa which indicate to him that the USSR is building a new "Maginot Line." According to the general's sources, a new railroad marshalling yard will be developed by the USSR 30 miles north of Julfa. The general also believes he has confirmation of Soviet preparations for extensive maneuvers directed at the border with Turkey and Iran.

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[redacted]
Comment: Alarmist reports on Soviet military activity opposite the Iranian borders with the USSR have frequently been sent by Iranian military officials in this sensitive area. Few of these reports have been accepted or subsequently verified because of the absence of confirmatory sources in the area. Frontier fortification activity appears to be routine at many points on the periphery of the Soviet Orbit; the scale reported by this source seems highly exaggerated.

EASTERN EUROPE

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2. Reinforcement of Polish Baltic coastal area reported: Residents of Poland [redacted] report considerable military activity in the Baltic coastal area during May 1952. New units, unidentified as to nationality, are reportedly being activated in, and large quantities of materiel are being transported to, coastal points from Gdynia to Stettin. Polish guards are said to have been posted at some of the railroad stations in this area to guard military transports. The movement of Soviet military rolling stock in the Stettin area has increased to the point where activity equals that of 1947 when the area was returned to Polish control.

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Comment: These reports, although unconfirmed, suggest a reinforcement of defenses of the Polish Baltic coastal area, which have been only lightly garrisoned by Soviet and Polish units. During recent months there have been a number of indications of increasing Soviet sensitivity all along the Baltic, particularly in connection with the security of water and air approaches to Soviet-controlled territories. Other unconfirmed reports have suggested Soviet ground force reinforcements of the Baltic coastal area of East Germany.

3. Yugoslav census in Zone B of the FTT designed to support Belgrade's ethnic claims: An official census being conducted in the Yugoslav dominated zone of Trieste is drawing bitter comments from the pro-Italian press in the city of Trieste. All residents of Zone B are obliged to report to their local officials with their identity cards. Only those living in the zone permanently since 1940 and registered persons residing in the zone with official permission are being recognized as residents. Italian newspapers in Trieste contend that the census is designed to seal off Zone B to thousands of Italian refugees presently residing in Zone A and to include thousands of newly arrived Yugoslavs. [REDACTED]

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Comment: During the past few years, the Yugoslav authorities in Zone B have pursued a policy of intimidation and exclusion of the Italian minority in order to undermine Italian claims to the area. Official Italian estimates hold that some 6,500 persons have taken refuge in Zone A since 1946.

A census of this type will probably be used by Belgrade to support its claims in any future negotiations conducted on the basis of ethnic principles or considerations.

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FAR EAST

4. Japanese press reaction favorable to treaty with India:
Ambassador Murphy reports that Japanese metropolitan papers and prefectural dailies both reacted favorably to the treaty with India. Papers in Osaka, a major export trade center, viewed the treaty as an "extraordinary" gesture of friendship and contrasted its generous terms with the multi-lateral San Francisco treaty. One prefectural paper foresaw an opportunity for a new "third force" built around Japan and India.

The Ambassador concludes that India gained great popular support by the treaty terms and Japan obtained a model treaty to be employed in negotiations with other Asian nations, although development of either potential will prove difficult.

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Comment: The treaty, originally proposed by India in December 1951 was signed on 9 June, and contains many articles based on the San Francisco treaty. Reportedly, however, it contains no provisions on territorial adjustments or reparations. Both of these factors appeal to the Japanese as well as the symbolism of friendship on the part of an important Asian nation.

5. 25X1X Communists agree to continue stalling at Panmunjom: A
that he was informed of an 8 and 9 June meeting between Soviet, Chinese and North Korean leaders on the cease-fire and the military situation by a North Korean representative at the meeting. Allegedly all parties agreed to "continue stalling tactics at Panmunjom."

The North Koreans argued at the meeting that they could never give in on the POW issue. The argument was opposed by both the Chinese and the Russians.

The Chinese criticized North Korean emphasis on the Koje incidents saying that the BW issue was a "more effective long-term propaganda line."

The Soviet representative stated that his country was "determined" to take the Korean problem to an "International Conference table."

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Militarily, the meeting discussed the possibility of a UN offensive, and the line was advanced that this would give an opportunity for a "counter-offensive to recover territory north of the 38th Parallel." High North Korean leaders desire military action, according to the source. [REDACTED]

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25X1X Comment: Although [REDACTED] has on occasions proven reliable, there is no way of evaluating [REDACTED]

All of these arguments might have been advanced by the various national groups represented. It seems improbable, however, that the Soviet representative, presumably the senior member, would allow such bickering in a conference at this level.

This report cannot be confirmed.

6. Orders for Communist offensive in Korea not received by 11 June: As of 11 June neither North Korean nor Chinese Communist line units had received orders to prepare for a general offensive, [REDACTED]

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[REDACTED] It was believed in "Combined Chinese Communist-North Korean General Headquarters" that such an operation would not take place until the rainy season. [REDACTED]

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Comment: There have been no firm indications that Communist forces in Korea are contemplating an immediate major offensive. Future enemy offensive plans presumably include the use of their numerically superior air and artillery arms, in which case the "rainy season" would impede the movement of their heavy equipment as much as it would that of the United Nations.

7. Chinese Nationalists reinforcing offshore islands: The Tachen Islands, located about 30 miles off the Chinese mainland opposite Chekiang Province, will be reinforced by two Chinese Nationalist regiments with a strength of 3,035 men on 25 June, according to the American Military Attache at Formosa. The reinforcements will include artillery and communications facilities for air support. [REDACTED]

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Comment: Reports that the Chinese Communists plan to invade the Tachen Islands have been persistent. This reinforcement will bring the total number of Nationalists and guerrillas on these islands to approximately 8,000 men.

Since the Chinese Communists can commit over 100,000 men to this area, the reinforcement will not lessen appreciably their ability to capture these islands.

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8. Communists reported preparing for guerrilla action in Thailand: The American Embassy in Bangkok has been informed that the Communists in Thailand are planning to form armed guerrilla bands in the hinterland composed of discontented Chinese.

Comment: Thailand is the only country in Southeast Asia which has escaped Communist violence. Many of Thailand's three million Chinese feel that they have been persecuted. As in Malaya, they constitute the overwhelming majority of the local Communist movement.

While this is the first report mentioning Communist paramilitary groups in Thailand, it is probable that they have existed for some time. Moreover, the ability of the Communist guerrillas in Malaya to obtain significant quantities of guns and ammunition from Thailand indicates that the arming of these units would not be a particularly difficult problem.

9. Thai Government continues to sow seeds of dissension: The American Embassy in Bangkok reports several examples of short-sighted Thai government policies which have alienated elements of the population to the advantage of the Communists. The most significant of these are:

- (1) the government's heavy-handed censorship of the press which has provided the pro-Communists with a legitimate and popular propaganda target.
- (2) General Sarit's public castigation of members of Parliament for opposing the government and civil servants for meddling in politics.

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- (3) the appointment [] General Phao to collect the 4,000 baht naturalization fee and the denunciation of the bad behavior of naturalized Thai toward "real Thai," acts which have incensed the large Chinese minority. [] 25X6
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Comment: Although the ruling military clique overwhelmingly controls the government, such instances of misgovernment offer increasing opportunities for the Communists to exploit discontent at the expense of the government.

10. Tension in Bangkok continues: The American Embassy in Bangkok reports further indications of rising political tension. Premier Phibun is allegedly taking special precautions against a possible coup attempt. Police Director General Phao has cut short his European tour apparently to return to protect his position against the maneuverings of his chief rival, General Sarit. [] 25X1

Comment: While there have not yet been any startling developments, recent reports indicate that Bangkok is experiencing its worst case of political jitters since the November 1951 coup.

11. Armed Moslem organization orders attack in West and Central Java: [] orders carried by a captured courier of the Tentara Islam Indonesia called for a general attack in West and Central Java on 22 June, the beginning of Moslem New Year celebrations. Targets of attack were listed as small towns, army and police posts, and road traffic. [] 25X1X
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Comment: No coordinated dissident attacks are known to have taken place in Java on or since 22 June. However, guerrilla operations have seriously increased in West Java during the last six weeks. These disturbances have been largely directed at the same targets as those listed in the above report, which may be based on knowledge of this rather "routine" activity.

The Tentara Islam Indonesia is the army of the Darul Islam, a fanatic Moslem organization which seeks to establish a theocratic state in Indonesia. Based in West Java, it is also active in Central Java and is gradually extending its influence into the eastern part of the island.

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SOUTH ASIA

12. Pakistan requests American grant of 30,000,000 dollars: Prime Minister Nazimuddin has requested the United States to grant Pakistan approximately 30,000,000 dollars to cover the purchase of 300,000 tons of wheat, which, he says, Pakistan does not have the dollar exchange to buy. If neither a grant nor a loan to be repaid in kind can be extended, the Prime Minister desires a loan to be repaid from dollar credits over the next ten years.

Nazimuddin also stated that there would be serious unrest if no wheat loan were forthcoming. In view of his own critical position, he requested that, by the first of July, the United States give some assurance of its intention to help. [REDACTED]

Comment: When Pakistan gained independence in 1947, it anticipated a regular annual surplus of grain. In 1948 natural disasters resulted in a 100,000 ton deficit, and 1952 will apparently be another deficit year.

Because of its growing population and its slow economic and agricultural improvement, Pakistan may develop a chronic food deficit.

NEAR EAST-AFRICA

13. Non-Communist labor organization asks for intervention in Tunisia: The International Confederation of Free Trade Unions has requested the French non-Communist Force Ouvriere to intervene again with French authorities in order to obtain "more moderate handling" of Tunisian trade unions. It has also asked the two major American labor groups to exert pressure on the United States Government to request that France issue visas to the two principal Tunisian labor leaders so that they may attend the ICFTU General Council now meeting in Berlin. [REDACTED]

Comment: An ICFTU observer was sent to Tunisia immediately upon the outbreak of disorders in January. Since that time, Farhat Hached, Secretary General of the non-Communist Tunisian labor organization, UGTT, who was allowed to attend an ICFTU meeting in Brussels, made an unauthorized trip

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to the United States to talk with United Nations members and American labor leaders. Hached is the only effective nationalist leader still at liberty in Tunisia, and restrictions are being employed against him and his union in an effort to obtain maximum public order in Tunisia.

14. South Africa may meet minimum American requirements of strategic materials: South Africa is prepared to consider favorably exporting to the United States as much as 500,000 long tons of manganese a year, on the understanding that this rate cannot be continued after 1953. The Union will also make every effort to meet American chrome requirements, according to an official note.

Despite these assurances, the government is considering a proposal for the further reduction of manganese exports as a conservation measure, since an investigating committee has reported that the high-grade ore required by the United States would be exhausted in 20 years at the current rate of export.

Comment: South Africa would have to export manganese to the United States at about four times the current average monthly rate for the rest of 1952 in order to meet the target figure. Continuing rail transportation difficulties, however, greatly limit the Union's ability to meet any commitments it may make for mineral exports to the United States.

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WESTERN EUROPE

15. East Germans reported purchasing steel rails in France: West German officials have informed American authorities that representatives of the East German Government are ready to sign a contract with the Schneider-Creusot company for 80,000 tons of steel rails. Payment would be in dollars to a Lausanne bank.

HICOG believes that the reported transaction has serious implications for interzonal trade policy, as well as for Allied-West German relations. [REDACTED]

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Comment: The West Germans undoubtedly consider that the reported sale reflects discrimination against them in East-West trade matters, in view of the strict quantitative limitations on interzonal trade.

Although steel rails are on the American embargo lists, they are not included in the COCOM international lists. France has so far agreed to prohibit shipments of steel rails only to Communist China.

16. Berlin canal by-pass likely to open on schedule: American Army officials in Germany believe that the Paretz-Niederneuendorf Canal, East Germany's project to by-pass the West Berlin canal system, will be capable of carrying traffic by the deadline date of 28 June. Personal reconnaissance by local American officials on 19 June disclosed a number of East German barges at the new canal's entrance, and on 23 June the floodgates were reportedly open to fill the canal. [REDACTED]

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Comment: There are indications that a "fanfare opening" will take place on 28 June, but that work on the canal will continue beyond that, in order to make the canal fully operable.

American officials have estimated that Soviet harassing in Berlin might increase after the opening of the by-pass, with a possible severance of Berlin utilities.

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[REDACTED] states that barbed wire and timber are currently being delivered along the intersector border in Berlin. In the past few weeks, East Germany has been tightening controls on the border between West Berlin and East Germany, but not on the Berlin intersector border.

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17. East Germans reportedly plan elevated railway by-passing West Berlin: A new double-tracked S-bahn (elevated) line has reportedly been proposed by the East Germans to permit traffic between Oranienburg, north of Berlin, and East Berlin to operate without traversing the French sector of Berlin. Surveying for the line is said to have been started. [REDACTED]

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Comment: This project may be the one recently reported involving the electrification of a small section of rail line near the French sector to enable all S-bahn traffic in East Berlin and East Germany to operate without entering West Berlin.

A survey recently completed by the Allies showed that West Berlin was more vulnerable to Soviet harassment in the transportation field than in most of the other public utilities. The S-bahn, being run by the East German Reichsbahn, was found to be particularly vulnerable, although the West Berliners are arranging for supplementary transport if this should become necessary.

18. West German action on Bonn-Paris treaties is postponed: American officials in Bonn now believe that West German approval of the Bonn-Paris treaties will not occur before the end of September. Chancellor Adenauer has abandoned plans for ratification during the present parliamentary session, but government leaders have agreed to act on the bills immediately after Parliament reconvenes on 4 September. [REDACTED]

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19. European integration negotiations may delay EDC ratification: Prospects for quick ratification of the European Defense Community treaty may be dimmed if the presentation of European political unity proposals is bungled at the forthcoming meeting of Ministers of the Schuman-Plan countries, in the opinion of the American Embassy in Paris.

The six Schuman-Plan countries seem agreed that the coal-steel pool assembly should undertake political unification. British delegates to the Council of Europe, however, want the Council to discuss political unification; such a move would further weaken the Schuman Plan and at the very least delay EDC ratification for a long period. [REDACTED]

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Comment: While French ratification of the EDC seems assured, there is little possibility it will take place before

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November. Political integration would mollify the Gaullists, however, and could reverse the bitter opposition of some to the EDC, thus making ratification certain.

Defense Minister Pleven has recently pledged that the Pinay government will push vigorously for political integration to embrace both the Schuman Plan and the EDC, but the French Government has no illusions that Britain would surrender its sovereignty to a supranational authority.

20. Swiss reportedly ship arms to Rumania: A report from Vienna the latter part of May reveals the probable shipment of an unknown quantity of machine pistols to Rumania from Haemerli, a Swiss export firm. [REDACTED]

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Comment: The US Military Attache in Bern reported recently that in the last few months Swiss exports of war materiel have increased rapidly and are now of considerable magnitude. There is no record, however, that significant exports have been made to Iron Curtain countries.

The US Air Force has discounted recent reports that the Oerlikon 8-cm guided missile was being used against UN aircraft in Korea.

21. Swiss Communists stressing BW charges: The American Minister in Switzerland has requested the State Department to send him documentary evidence against the Communist biological warfare charges. A Swiss Communist organization has been holding meetings in Bern, accusing the United States of using BW in Korea. At its latest meeting on 20 June there was a capacity audience of 100 people. [REDACTED]

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Comment: Reports indicate the Communists are having limited success with their campaign in Switzerland. The non-Communist press there has vigorously assailed the Swiss Communist-front Peace Partisans' BW charges, particularly in view of the fact that the Chinese Communists rejected the first proposal in March 1952 for an investigation of the charges by the International Red Cross.

That the Communist BW campaign appears to be relatively late in getting under way in Switzerland may be attributed to the internal dissensions which have beset the Communist Party there.

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LATIN AMERICA

22. Ecuador to request US naval vessels: The Chief of the Ecuadoran Navy, Commander Endara, plans to visit the United States during July to discuss the possibility of acquiring two destroyer escorts.

The US Embassy, which has not yet been consulted about the matter, understands that President Galo Plaza has specifically asked Endara to make the trip. The Embassy recommends "sympathetic attention" to the needs of the Ecuadoran Navy.

[REDACTED]

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Comment: Plaza himself discussed the matter with American officials last year, but requested that no action be taken until the flare-up in Ecuadoran-Peruvian relations had quieted down. He may now wish to have his efforts on record before he turns over the presidency to Velasco Ibarra in September.

The Ecuadoran Navy is small and run-down and was assigned only a minor role under the recently-signed bilateral military assistance agreement with the United States. The US Embassy at Quito believes that the navy could play a larger part in hemisphere defense if it had adequate equipment; it previously recommended that the United States supply several patrol craft and ammunition for the navy's one frigate. The Embassy reports that the navy's morale and efficiency is good, partly as a result of extensive use of foreign training schools, though some of its operations in recent years have been notable fiascos.

Ecuador is not believed to be able to pay in advance for even one destroyer escort.

23. Anti-Communists and large landowners reportedly plotting revolt in Guatemala: The coordinating committee of Guatemalan anti-Communist groups has reportedly been conferring with the Association of Guatemalan Agriculturalists and a revolutionary attempt "may occur at any time." They are said to have "considerable" men and materials ready, but to have only half the 100,000 dollars they require. Efforts are being made to raise the remainder.
- [REDACTED]

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Comment: A revolution could hardly succeed at this time without the support of at least a part of the army. There is no evidence that the military will desert the Arbenz administration or that a serious split exists within the armed forces,

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although such developments are possible.

In a speech on 20 June President Arbenz stated that efforts had recently been made to bribe some members of the army, but that the officers rejected the offers with "the purest patriotism." Another report states that heads of military establishments in Guatemala City are being shifted to foil any attempt against the government. Organized labor is forming defense committees to aid the army and police in defending the government.

24. Failure of Round Table Conference not likely to cause stir in Netherlands Antilles: United States Consul General Preston reports that public opinion in the Netherlands Antilles is apathetic toward the lack of results of the recent Round Table Conference at the Hague. The majority of the small and prosperous literate population, with the exception of a few politicians, has no desire for further autonomy. The chances of disturbances there are very remote.

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Comment: The Round Table Conference was held to establish the legal relations for the Netherlands Antilles and Surinam within the "new" Kingdom of the Netherlands.

The islands of Aruba and Curacao with their large oil refining facilities are among the most prosperous areas in the world. The greater percentage of the population is composed of the politically inarticulate foreign oil workers, principally British West Indies and Surinam negroes.

The dissatisfaction of local politicians,

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stems from the fact that they wish to wrest from the Dutch Crown control of the judiciary and office of the attorney general (which controls police and immigration services), thereby gaining a greater say in the operations of the Royal Dutch Shell and Standard Oil Companies.

25. Surinam Government unaware of existing Communist activities: The new American Consul at Paramaribo is trying to ascertain the extent of Communist activities in Surinam in view of the "tremendous importance" of the bauxite industry. He has been told by the Commander of the Dutch forces there that Communist activity has been going on for some time and that it is increasing. The Consul had received negative replies from Surinam Government officials on this subject.

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According to the Dutch Commander, most of the Communist activity is directed from Georgetown, British Guiana, and "considerable amounts" of Communist literature are sent across the Corantijn River which divides the two countries. Distribution of the literature in Surinam is made from the port of Nickerie.

The Consul also sees indications that Dutch and Surinam Communists in the Netherlands may be taking an increased interest in Surinam.

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Comment: Bauxite is not shipped through Nickerie. There have been no indications that Communist propaganda has reached the mining or shipping areas.

If Communist activities in Surinam are actually being directed from British Guiana, they are possibly cloaked in the guise of nationalism in accordance with the instructions reportedly given to British Guiana's Cheddi Jagan when he visited Europe last year.

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TO THE CURRENT INTELLIGENCE DIGEST

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CENTRAL INTELLIGENCE AGENCY

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WESTERN EUROPE

1. French apparently not delaying Saar Convention revision: The American Embassy in Paris reports that the French Foreign Office apparently plans to proceed with its efforts to liberalize the 1950 French-Saar Conventions without waiting until Bonn and Paris have ratified the European Defense Community.

The Embassy believes that French-Saar discussions are still in a preliminary stage, and suggests that a joint American-British demarche cautioning France to hold up until after EDC treaty ratification may be desirable. [REDACTED]

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Comment: Recent French efforts toward liberalization of the French-Saar Conventions have probably been aimed at creating goodwill toward France in the Saar prior to the Landtage elections this fall.

These efforts may provoke a sharp reaction in Germany, where there is widespread conviction that the status of the Saar should not be modified by a German-French-Saar accord.

LATIN AMERICA

2. Bolivia appoints new ambassador to United States: Bolivia has requested an agreement for the appointment of Dr. Victor Andrade as its new Ambassador to the United States. Andrade was Bolivian Ambassador in Washington during 1944-1946. [REDACTED]

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Comment: Dr. Andrade is reportedly pro-US but opposed to "any economic penetration" by the United States. Other posts he held under the wartime regime of the Nationalist Revolutionary Movement were the Ministries of Foreign Affairs and Labor, and in 1945 he represented Bolivia at the United Nations Conference in San Francisco.

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